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The Great Atlantic & Pacific Tea Company, Inc.



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*\$ 52.18TLA
THANK YOU
GROCERY STORES

ANNUAL REPORT
FOR THE FISCAL YEAR
ENDED FEBRUARY 25, 1961



"JANE PARKER" . . . A&P's NAME FOR FINE QUALITY BAKED FOODS

Your Company's dedication to the principle of providing more good foods to more people for less money is ideally demonstrated in providing fine bread daily to millions of families. For bread, as well as the entire line of Jane Parker Quality Baked Foods, is priced to provide outstanding value. Every day A&P bakeries, strategically located throughout your Company's territory, produce an almost endless variety of fine Jane Parker bread, rolls, cakes, donuts and pies. Thus, an ever increasing number of A&P customers are provided with a complete line of Jane Parker Quality Baked Foods at economical prices. Another reason for the success of A&P as a responsible member of the business community.

Where Millions Shop with Confidence Every Day





The Great Atlantic & Pacific Tea Company, Inc.

EXECUTIVE OFFICES: 420 LEXINGTON AVENUE, NEW YORK 17, N. Y.

COMPARATIVE HIGHLIGHTS

YEAR ENDED

	February 25, 1961 (52 Weeks)	February 27, 1960 (52 Weeks)	February 28, 1959 (53 Weeks)
Sales	\$5,246,578,194	\$5,048,574,241	\$5,094,741,391
Income Before Income Taxes	123,211,670	108,496,369	118,905,170
United States and Canadian Income Taxes . . .	64,200,000	56,500,000	65,000,000
Net Income	59,011,670	51,996,369	53,905,170
Earnings Per Share*	2.57	2.26	2.35
Stockholders' Equity	485,972,976	453,430,044	419,824,195
Current Assets	489,405,765	473,038,484	467,169,501
Current Liabilities	219,842,277	215,639,084	221,518,620
Property, Equipment, and Fixtures, less depreciation and amortization	208,261,924	187,860,723	167,807,184

*Based on 22,961,966 shares outstanding at February 25, 1961.

OFFICERS

RALPH W. BURGER
Chairman of the Board and President

JOHN D. EHRGOTT
Vice President and Treasurer

HARRY B. GEORGE
Vice President

STEPHEN W. SHEA
Vice President

JOHN J. REILLY
Secretary

FRED E. CAMPBELL
Assistant Secretary

HAROLD D. HOAG
Assistant Treasurer

TRANSFER AGENT

Morgan Guaranty Trust Company of New York
New York, New York

REGISTRAR

The First National City Bank of New York
New York, New York

DIRECTORS

MELVIN W. ALLDREDGE

RALPH MANNING BROWN, JR.

FRANCIS H. BUCHER

*RALPH W. BURGER

JOHN L. BURNS

FRED E. CAMPBELL

HAROLD W. CARVER

LAWRENCE M. CAZAYOUX

*JAY E. CRANE

*DONALD KIRK DAVID

*JOHN D. EHRGOTT

*HARRY B. GEORGE

HAROLD D. HOAG

WILLIAM F. LEACH

GWILYM A. PRICE

JOHN J. REILLY

*STEPHEN W. SHEA

JOHN ELLIOT SLATER

JOSEPH P. SMITH

ROBERT M. SMITH

**Members of the Executive Committee*

DIRECTORS EMERITUS

OLIVER C. ADAMS
WILLIAM M. BYRNES

To Our Stockholders

YOUR COMPANY'S SALES AND EARNINGS resumed their upward trend, reaching the highest level in A&P history, during the fiscal 52-week period ended February 25, 1961.

Companywide sales were \$5,246,000,000, an increase of approximately four per cent over sales of \$5,048,000,000 in fiscal 1959.

Net earnings of \$59,011,670, equal to \$2.57 per share, represented a 13 per cent increase over the 1959 earnings of \$51,996,369 and exceeded the previous all-time high net income of \$53,905,170 established in the 1958 fiscal year which covered a 53-week period. Based on the 22,961,966 shares outstanding at February 25, 1961, the net earnings per share in fiscal 1959 were \$2.26 and in fiscal 1958, \$2.35.

Cash dividends totaled \$1.20 per share consisting of four quarterly payments of 25 cents each and an additional cash dividend of 20 cents per share. The Company also paid a three per cent stock dividend at the close of fiscal 1960.

It should be pointed out that the performance of your Company during 1960 was accomplished in the face of rising costs in many aspects of A&P's operations and during a time when the national economy was in what is generally considered a mild recession, imposing a profit squeeze on business in general.

The year's sales and earnings accomplishment affirms our long-established principle of food retailing, that sound growth stimulated by low prices is more to be desired than quick profits from merchandising methods that must lead inevitably to diminished sales. The loyalty of our old customers and the attraction of new ones during the past year indicate that the consumer not only recognizes but appreciates quality merchandise at reasonable prices.

An analysis of our sales-profit experience for the past several years provides substantial evidence of the effectiveness of our low markup policy. Our

sales and earnings have maintained an upward trend throughout this period.

We have remained relatively conservative in the area of costly promotional devices, firm in our conviction that the consumer is still more interested in quality foods for lower prices than in the "something-for-nothing" philosophy. In a few communities which have proved to be radically influenced by the latter, we moved swiftly to effect the operational and merchandising changes necessary to comply with local habit to sustain our competitive position. It has been our practice to maintain the flexibility necessary to meet the challenges of unique local situations without jeopardizing the proven system and policies that have been basic to more than 100 years of successful operation.

In addition to the 255 new stores opened during fiscal 1960, and to the 510 remodelings, A&P completed and occupied several new or enlarged distribution centers, meat warehouses and other processing, manufacturing and packaging plants. We closed 180 outdated stores and super markets, leaving in operation, at the close of the fiscal period, 4,351 stores in 37 states, the District of Columbia and Canada, as compared with 4,276 at the end of the previous year.

Some idea of your Company's determined effort to maintain its leadership in the industry, physically as well as economically, can be obtained from a study of its building and modernization program over the past five years. During this relatively brief span, A&P has moved with the population explosion, opening up 1,090 new stores — most of them super markets — and closing down 867 outdated retail locations. Many of the new outlets serve the same neighborhoods formerly serviced by the stores they replaced, and the remainder were opened, for the most part, in new or expanding suburban communities. Another 2,322 stores were remodeled during the same five year period.

Selecting new store locations that will prove profitable has been and will continue to be one of the more complex problems of super market management. We have exercised caution in committing the Company's resources for the opening of retail outlets, but this conservatism has not diminished our interest in protecting our business where there was reasonable promise of profitable operations.

At this time it is our intention to maintain a similar program of refinement and improvement of our retail facilities during 1961. Such a modernization project will be of inestimable value in meeting the needs of our customers.

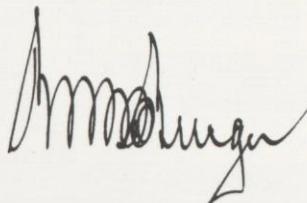
Our efforts in the past to maintain a low expense rate through strict adherence to a long-established policy of eliminating costly frills in the distribution of merchandise have constituted one of A&P's greatest assets in this highly competitive business. The entire management team is dedicated to a continuation of this program, and every man and woman in the organization is helping us to achieve success in this endeavor.

The Employee Thrift Plan approved by stockholders last June has engendered greater employee interest in the Company and has stimulated better on-the-job attitudes.

In our advance planning we are constantly in search of new and better and more economical ways of running the business, improving service to our customers, and simplifying the distribution processes without sacrificing quality and economy.

We are alert to innovations within the industry that might help us attain new heights. Our own technicians continue to probe for new scientific and physical aids that will contribute to the improvement of our performance.

I shall not promise you a record sales performance or an improved profit picture during the current fiscal year, nor guarantee that our expense rate will be down and our performance will be up. I cannot safely forecast a perfect record in the selection of store locations. I can, however, assure you that we are working constantly toward improvement in all of these areas and that we have good reason to face the future with confidence.

A handwritten signature in black ink, appearing to read "A. M. Morgan".

CHAIRMAN AND PRESIDENT

May 17, 1961

Consolidated Balance Sheet

FEBRUARY 25, 1961 AND FEBRUARY 27, 1960

ASSETS

	February 25, 1961	February 27, 1960
CURRENT ASSETS:		
Cash	\$135,662,982	\$159,596,563
United States and Canadian Government obligations — at cost	30,955,739	15,941,969
Accounts receivable	12,461,387	10,161,318
Merchandise and supplies (at the lower of cost or market)	<u>310,325,657</u>	<u>287,338,634</u>
Current assets	<u>489,405,765</u>	<u>473,038,484</u>
PROPERTY, EQUIPMENT, AND FIXTURES:		
Land, at cost	1,917,816	1,900,021
Buildings, at cost less accumulated depreciation — 1961, \$6,380,741; 1960, \$6,220,685	2,435,308	2,256,908
Equipment, at cost less accumulated depreciation — 1961, \$107,172,841; 1960, \$99,740,267	151,537,447	137,364,847
Store fixtures, at amortized cost	<u>52,371,353</u>	<u>46,338,947</u>
Property, equipment, and fixtures — net	<u>208,261,924</u>	<u>187,860,723</u>
DEFERRED CHARGES	<u>13,549,216</u>	<u>13,717,803</u>
	<u>\$711,216,905</u>	<u>\$674,617,010</u>

NOTES TO FINANCIAL STATEMENTS

STOCK OPTIONS: On June 21, 1960 the stockholders approved a restricted stock option plan which provided that executives and key employees may be granted options to purchase stock of the Company. The first grant under the plan was made on October 17, 1960. At February 25, 1961 (after adjustment for the stock dividend declared on January 23, 1961) there had been allotted 321,353 shares of which 8,226 shares had been exercised, 55,971 shares were exercisable (at \$32.77 a share), and the remainder were exercisable over the succeeding years commencing October 18, 1961. Proceeds from the shares exercised aggregated \$276,362 of which \$8,226 was credited to capital stock and \$268,136 to capital surplus.

506,561 shares of the Company's unissued stock are reserved for issuance under the stock option plan.



THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. and Subsidiary Companies

L I A B I L I T I E S

CURRENT LIABILITIES:

	February 25, 1961	February 27, 1960
Accounts payable	\$151,578,533	\$149,266,224
Accrued accounts:		
United States and Canadian income taxes	32,087,511	32,536,319
Other taxes, salaries, etc.	36,176,233	33,836,541
Current liabilities	<u>219,842,277</u>	<u>215,639,084</u>
	<u>5,401,652</u>	<u>5,547,882</u>

RESERVES FOR SELF-INSURANCE, ETC.

CAPITAL STOCK AND SURPLUS:

Common stock — \$1 par value; authorized 28,000,000 shares; issued 1961, 22,961,966 shares; 1960, 22,284,983 shares	22,961,966	22,284,983
Capital surplus	297,786,861	273,924,978
Earned surplus	<u>165,224,149</u>	<u>157,220,083</u>
Capital stock and surplus	<u>485,972,976</u>	<u>453,430,044</u>
	<u><u>\$711,216,905</u></u>	<u><u>\$674,617,010</u></u>

RETIREMENT PLAN: Under the terms of the Employees' Retirement Plans as amended October 1, 1960, non-contributory retirement benefits are provided for eligible employees. Contributions by the companies were \$21,567,510 and \$18,657,400 for the period ended February 25, 1961 and February 27, 1960, respectively. It is estimated by the Company's actuary that the assets of the Plans as of December 31, 1960 were sufficient to cover the single sum actuarial liabilities for benefits accrued to that date.

OTHER MATTERS: Most activities of the companies are conducted in leased premises and at February 25,

1961 there were approximately 4,660 leases in force (exclusive of premises where operations had not commenced) that covered various periods of time but in general from three to ten years. The annual rental of these leased premises is approximately \$64,500,000.

Since February 25, 1961, the companies' modernization program has involved the customary substantial expenditure, made or to be made, for new store leases, equipment, and inventories.

Cost and expenses include depreciation and amortization of \$35,554,723 and \$31,800,832 for the period ended February 25, 1961 and February 27, 1960, respectively.



and Subsidiary Companies

Statement of Consolidated Income and Earned Surplus

FOR THE PERIOD ENDED FEBRUARY 25, 1961 AND FEBRUARY 27, 1960

	52 Weeks February 25, 1961	52 Weeks February 27, 1960
Sales	\$5,246,578,194	\$5,048,574,241
Cost of Merchandise Sold	4,408,879,483	4,277,857,199
Gross Profit	837,698,711	770,717,042
Store Operating, General and Administrative Expenses	716,279,720	663,424,509
Profit from Operations	121,418,991	107,292,533
Other Income — net	1,792,679	1,203,836
United States and Canadian Income Taxes	64,200,000	56,500,000
Net Income	59,011,670	51,996,369
Earned Surplus at Beginning of Period	157,220,083	148,188,289
Deduct:		
Cash dividends:		
1961, \$1.20 a share; 1960, \$.85 a share	26,745,100	18,390,520
Stock dividend, 3% :		
Par value of shares issued	668,757	649,077
Excess of market value over par value of shares issued—transfer to capital surplus	23,593,747	23,924,978
Earned Surplus at End of Period	\$ 165,224,149	\$ 157,220,083

See the accompanying Notes to Financial Statements

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

NATIONAL NEWARK BUILDING

NEWARK 2

ACCOUNTANTS' OPINION

To the Board of Directors of
The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheet of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 25, 1961, and the related statement of consolidated income and earned surplus for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at February 25, 1961 and the results of their operations for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Haskins & Sells

May 5, 1961.



*...more
good foods
to more people
for less money...*